

be verified, those who stick by the rules are at a disadvantage. President Reagan has insisted for the past several weeks that SDI, as a research programme, is not a negotiating counter. He should stick to that, letting the US Congress ultimately decide the scale on which the research programme is carried out. (Congress will probably be even meaner in future years than the likely cut of more than a third in the present budget seems to suggest.)

The early-warning part of a missile defence is in a different case. The ABM Treaty restricts the right of the two parties to build early-warning radars except at the periphery of their territory (when they must look outwards) for fear that they might be used to extend existing terminal defences (of which the Moscow system is the only one extant). But if it is possible to build effective means of telling when strategic missiles leave their launching pads, the present strategic balance would not be undermined but, rather, strengthened. More warning, if only an extra 20 minutes, would allow more effective retaliation, perhaps before the first warheads had reached their targets. So both sides have an interest in effective early warning, and the ABM treaty should be amended to allow for that. It is by no means fanciful to suggest that each side should give the other a chance to monitor (and comment upon) the data collected by the warning satellites, along the lines proposed in the 1980 draft of a comprehensive test-ban treaty (which came to nothing). Then there would be a chance that false warnings would be screened out.

So Mr Reagan's best strategy on SDI is to stick with the assertion that research programmes cannot be codified by treaties, but to offer to unpackage SDI, putting early-warning systems at the top of the list and offering to concentrate the rest of the programme on the layers most likely to yield quick results, conspicuously the boost-phase part of the interception problem. (That, in any case, is probably how the work will go.) It is not realistic to suggest, as some have done, that the research itself might be carried out collaboratively between the Soviet Union and the United States; fears that the other side would keep back interesting tit-bits of information would be justified. But if there is now to be an agreement to restrict the numbers of strategic missiles below the quotas laid down in the unratified SALT II treaty, it should not be beyond the wit of those assembled at Geneva to agree that SDI would be deployed only stage by stage, and only after a negotiation in which the quotas of strategic missiles were adjusted appropriately.

Two further qualifications arise, with the question of anti-satellite weapons inseparable from that of SDI. The United States last month carried out the second successful test of such a weapon, justifying the breaking of the self-imposed Soviet moratorium by pleading disadvantage. But what are such weapons for? The obvious applications are the destruction of surveillance satellites and of the kinds of telecommunications that might be necessary to give early warning. But if there are ever satellite-based missile defences, they will also be vulnerable.

It is hard to see how any of these functions could benefit a strategic power with no interest in making a pre-emptive strike against the other. In short, an agreement not to test and deploy anti-satellite weapons should be in everybody's interest. The difficulty, real enough, is that of verification. The US administration should say as much.

The way in which the United States talks about the impending summit is also important. Mr Gorbachev has had the better press so far because he and his associates have been saying the same things over and over again. The United States administration, endearingly open as it is, speaks with a dozen voices, not one of which could be mistaken for a conviction that the November summit is an opportunity to make substantial progress on the issues of arms control which have been log-jammed now for close on three years. So much is clear, even though it would have better for people's peace of mind (and also more likely to lead to a constructive meeting) if less were to be expected of a two-day encounter between two people who have never met before. □

Money earthquakes

Mexico's tragic earthquake could cause nasty after-shocks for the banks.

It will be a cruel irony if the earthquake that killed more than 5,000 people in Mexico City two weeks ago should also bring the international banking system to another crisis, but that is how events may turn out. The bankers and their governments are doing very little to help avoid the trouble. The facts are now well-known. The nations of Latin America have accumulated foreign debts to the international banking system which amount to some \$350,000 million, of which Mexico owes nearly \$100,000 million. The origins of this strange state of affairs are to be found in the 1970s, when the newly-rich oil suppliers lent their surplus dollars to the commercial banks of the developed world, which in turn recycled them (in part) to the countries in need of cash (in order to buy oil) but which could not attract sufficient funds on their own account. Mexico is a particularly sad case for, while an oil-producer itself, it is also the largest debtor.

The accumulated debts of Latin America have been a widely publicized headache for the bankers for at least the past three years. Their difficulty is that if too much of what they have lent turns out to consist of bad debts, they will make losses instead of profits and their capital base will be eroded and their capacity to lend fresh funds to productive enterprises will be constrained, to everybody's disadvantage. The danger of old-fashioned "runs" on the banks as in the 1930s are less now than they used to be but are not entirely negligible. That at least is how it seemed three years ago.

Since 1982, however, the ever-more ingenious bankers have almost made the problem disappear. Payments on loans have been "rescheduled", countries unable even to pay the interest have been lent fresh funds, but the arrangements have all been backed up by a tough agreement with the International Monetary Fund whose effect has been to provide access to a modest amount of credit provided by other governments, but which has required that the recipients should take draconian measures to control inflation and internal costs so as to export their way out of trouble.

Even before the earthquake, the Latin American countries were resentfully grumbling that the arrangements made in the past few years are too onerous. Mexico itself, on the eve of the earthquake, was thought to have failed to meet the conditions of the International Monetary Fund, so that it would have been disqualified from further access to credit from that source. Since the opening of this year's session of the United Nations General Assembly last week, the argument that there must be a new global solution of the debt problem has been repeated several times. So, indeed, it should, but not by the means most attractive to the debtor nations, that of forgiving past debts and starting with a clean slate.

High interest

A large part of the trouble is that interest rates have remained obdurately high during the past five years, with the consequence that interest accumulates on outstanding loans at a much faster rate than when they were originally contracted. Worse still, economic growth in the industrialized countries has not revived as quickly as it might have done, with the result that exports from Latin America have not grown as quickly as was hoped or expected, although Brazil and Argentina have recently done well in selling to the United States. Mexico again has been the black sheep. Now the difficulties which confront Mexico are physical and enormous. The costs of reconstruction will be huge, and not covered by the present wave of generosity. No doubt the bankers will think first of stretching out the loans once more, further increasing the ratio of accumulated interest to the original debt. Mexico will have other Latin American states on its side if it decides to jib at the prospect. Then we could all share Mexico's troubles. □